

OQUIRRH RECREATION AND PARKS DISTRICT

**Financial Statements
and
Report of Independent Certified Public Accountants**

December 31, 2006 and 2005

Hansen, Bradshaw, Malmrose & Erickson

**A Professional Corporation
CERTIFIED PUBLIC ACCOUNTANTS**

OOQUIRRH RECREATION AND PARKS DISTRICT

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Oquirrh Recreation and Parks District
Kearns, UT

We have audited the accompanying basic financial statements of Oquirrh Recreation and Parks District as of and for the years ended December 31, 2006 and 2005, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis on our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Oquirrh Recreation and Parks District as of December 31, 2006 and 2005, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 10, 2007 on our consideration of Oquirrh Recreation and Parks District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The management's discussion and analysis on pages 3 through 7, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Hansen, Bradshaw, Malmrose & Erickson, P.C.

April 10, 2007



Oquirrh Recreation and Parks District

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2006

This discussion of Oquirrh Recreation and Parks District's financial performance provides an overview of the District's financial position for the year ending December 31, 2006. Please read this analysis in conjunction with our financial statements that begin on page 8.

The purpose of the District is "to provide park, recreation, or parkway services of every kind".

Financial Highlights

- Membership revenue increased 10.3% primarily due to an aggressive marketing campaign and the addition of an entry kiosk, splash pad and outdoor recreational pool
- Admission revenue increased 38.1% due to a substantial increase in attendance in the summer months due primarily to the outdoor recreational pool and splash pad addition
- Other revenue from programs, retail, concessions and vending increased 7.0%
- Advertising expense increased 42.3% as a result of an aggressive marketing campaign to promote the new facilities offered by the District
- Interest expense decreased 11.8% attributable to lower outstanding principal balances
- Salaries and wages increased 5.1% as a result of merit increases and additional personnel to staff the additional facilities
- Utilities expense increased 18.6% as a result of significant increases in the cost of natural gas, water and electricity and because of the new addition operated by the District
- Property tax revenue increased 6.2% due primarily to new growth in the District boundaries
- Net assets increased \$870,088 in 2006

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's financial statements. The District maintains only one type of fund, which is an enterprise fund. An enterprise fund is used to account for operations in a manner similar to a private business. The District's financial statements are comprised of the following four components: 1) statement of net assets, 2) statement of revenues, expenses and changes in net assets, 3) statement of cash flows, and 4) notes to the financial statements. These financial statements and notes demonstrate the overall financial performance of the District and are prepared using the accrual basis of accounting.

Statement of Net Assets

The Statement of Net Assets (Page 8) shows the assets, liabilities and net assets of the District as of December 31, 2006. Assets are divided into current and long-term assets to reflect the liquidity of the assets. Property and equipment include land, buildings and machinery that are used in connection with the District operations. Current liabilities include all debts and obligations owed by the District to outside creditors, vendors, or banks that are payable within one year. Long-term debt includes debts or obligations owed by the District that are due more than one year out from the current date. Net assets are shown in two

components; (1) the amount invested in capital assets and (2) unrestricted net assets. The amount reported as invested in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of the bond and note that are associated with the capital assets. Unrestricted net assets are the residual component of net assets. It consists of net assets that are not defined as 'invested in capital assets, net of related debt'.

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets (Page 9) shows the District's income and expenses from January 1, 2006 to December 31, 2006 as well as the increase or decrease in net assets from the previous year.

Statement of Cash Flows

The Statement of Cash Flows (Page 10) shows a summary of the District's cash receipts and disbursements from operating, financing and investing activities from January 1, 2006 to December 31, 2006.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the District's financial statements.

Financial Statement Comparison to Previous Year

Following is a comparison of 2006 financial statements with the 2005 financial statements. This comparison is useful in identifying trends or significant changes that have occurred with the District over the past year.

**OQUIRRH RECREATION AND PARKS DISTRICT
CONDENSED STATEMENT OF NET ASSETS**

	Assets			
	<u>2006</u>	<u>2005</u>	<u>Change</u>	<u>% Change</u>
Current Assets	\$ 3,837,964	\$ 4,675,090	\$ (837,126)	-17.9%
Property and Equipment (Net of Accumulated Depreciation)	12,460,199	11,587,013	873,186	7.5%
Other Assets	<u>28,725</u>	<u>34,471</u>	<u>(5,746)</u>	<u>-16.7%</u>
Total Assets	<u>\$16,326,888</u>	<u>\$16,296,574</u>	<u>\$ 30,314</u>	<u>0.2%</u>
	Liabilities and Net Assets			
	<u>2006</u>	<u>2005</u>	<u>Change</u>	<u>% Change</u>
Current Liabilities	\$ 940,218	\$ 1,158,322	\$ (218,104)	-18.8%
Long-Term Debt	<u>2,003,640</u>	<u>2,625,310</u>	<u>(621,670)</u>	<u>-23.7%</u>
Total Liabilities	2,943,858	3,783,632	(839,774)	-22.2%
Total Net Assets	<u>13,383,030</u>	<u>12,512,942</u>	<u>870,088</u>	<u>7.0%</u>
Total Liabilities and Net Assets	<u>\$16,326,888</u>	<u>\$16,296,574</u>	<u>\$ 30,314</u>	<u>0.2%</u>

**OQUIRRH RECREATION AND PARKS DISTRICT
CONDENSED STATEMENT OF REVENUES AND EXPENSES**

	<u>2006</u>	<u>2005</u>	<u>Change</u>	<u>% Change</u>
Net Operating Revenue	\$ 1,651,686	\$ 1,446,296	205,392	14.2%
Operating Expenses	<u>3,499,623</u>	<u>3,295,145</u>	<u>204,478</u>	<u>6.2%</u>
Net Operating Income	(1,847,935)	(1,848,849)	914	-0.1%
Net Non-Operating Revenues	<u>2,718,023</u>	<u>2,616,891</u>	<u>101,132</u>	<u>3.9%</u>
Net Income	<u>\$ 870,088</u>	<u>\$ 768,042</u>	<u>\$ 102,046</u>	<u>13.3%</u>

Results of Financial Operations

In 2006, the District reports a net income of \$870,088 or 13.3% greater than the 2005 net income of \$768,042. The 2006 net income amount represents 19.9% of total revenue (operating and non-operating). Operating revenues increased substantially (14.2%) as use of the facility increased greatly due primarily to the addition of the outdoor pool, splash pad and kiosk. The ability of the District to meet short-term obligations continues to be stable as current assets at December 31, 2006 are \$3,837,964 and current liabilities at the same time are \$940,218 or a ratio of better than four to one.

Analysis of Account Balances

As of December 31, 2006 the District reports net assets at \$13,383,030, an increase of \$870,088 from December 31, 2005. The statement of net assets does not show construction-in-process at December 31, 2006 due to the fact that the addition of the entry kiosk, splash pad and outdoor recreational pool was completed in June 2006.

Variance Between Original and Final Budgets & Variance Between Final Budget Amounts and Actual Results

Variance Between Original and Final Budgets

The 2006 amended budget reflected various changes from the original 2006 budget. The final budget amount for property taxes and fee-in-lieu, based on the certified tax rate and property values was \$2,012,799 in 2006 compared to the original budget amount of \$1,970,284, or an increase of \$42,515. The other change from the original budget to the amended budget was increasing two wage categories \$36,600 (including payroll taxes) as a result of increasing the hourly rate of those two categories. This adjustment was necessary to effectively retain and recruit staff. The net change between the original and amended budget was an increase of \$5,915 in budgeted net income from \$360,875 to \$366,790.

Variance Between Final Budget Amounts and Actual Results

The 2006 actual results reported by the District compare favorably to the final budget. Net income for the year was over twice the budgeted amount as management was able to increase operating revenues by 7.5% and decrease operating expenses 5.6% compared to the final 2006 budget.

The following represents the 2006 actual results compared to the final budget:

	<u>Actual</u>	<u>Budget</u>	<u>Difference</u>
Revenue	\$ 1,651,688	\$ 1,536,001	\$ 115,687
Operating Expenses	<u>3,499,623</u>	<u>3,706,763</u>	<u>(207,140)</u>
Net Operating Income	(1,847,935)	(2,170,762)	322,827
Net Non-Operating Revenues	<u>2,718,023</u>	<u>2,498,549</u>	<u>219,474</u>
Net Income	<u>\$ 870,088</u>	<u>\$ 327,787</u>	<u>\$ 542,301</u>

Capital Assets and Long-Term Debt

Capital Assets

As of December 31, 2006, the District had invested nearly \$18 million in capital assets, including land, buildings and equipment. This amount includes 2006 capital improvements in the amount of approximately \$1.5 million. The capital project that was in the construction phase at December 31, 2005 was completed in June, 2006 with a final cost of approximately \$2,230,000. The project includes an outdoor pool, splash pad area, entry kiosk and restroom facilities. Other significant 2006 capital investments include retiling the indoor recreation pool, twelve computer systems, and resurfacing the main parking lot.

The following schedule presents capital asset balances at December 31, 2006 and 2005:

	<u>2006</u>	<u>2005</u>	<u>Change</u>
Swimming Pool	\$ 1,391,335	\$ 1,391,335	\$ --
Tennis Clubhouse	421,470	421,470	--
Equipment	711,107	675,707	35,400
Site Improvements	3,186,990	761,897	2,425,093
Buildings	10,872,105	10,872,105	--
Park	834,628	833,128	1,500
Land	546,171	546,171	--
Construction in Progress	<u>--</u>	<u>948,848</u>	<u>(948,848)</u>
Total Capital Assets	17,963,806	16,450,661	1,513,145
Accumulated Depreciation	<u>(5,503,607)</u>	<u>(4,863,648)</u>	<u>639,960</u>
Total Capital Assets	<u>\$ 12,460,199</u>	<u>\$ 11,587,013</u>	<u>\$ 873,185</u>

Long-Term Debt

As of December 31, 2006, the District had \$2,599,407 of general obligation bonds and other long-term debt outstanding, of which \$624,826 is due within one year. A comparison of the District's outstanding long-term debt for 2006 and 2005 is presented below:

	<u>2006</u>	<u>2005</u>	<u>Change</u>
General Obligation Bonds	\$ 2,285,000	\$ 2,685,000	\$ (400,000)
Note Payable	<u>314,407</u>	<u>510,693</u>	<u>(196,286)</u>
Total Long-Term Debt	<u>\$ 2,599,407</u>	<u>\$ 3,195,693</u>	<u>\$ (596,286)</u>

The Future of the District

The District experienced the most financially successful year in its history in 2006 as net income is reported at \$870,088. The financial status of the Oquirrh Recreation and Parks District indicates that the District will be in very stable financial condition in the foreseeable future. The District ended 2006 with over \$13.3 million of net assets and reported net income of over \$870,000 for 2006. With increased operational costs and the need to maintain the Fitness Center assets, it will be a challenge to continue to report similar numbers in the future. However, the District is committed to continuing to provide exceptional recreational services to the community while at the same time remaining on very stable financial ground.

The District is in the process of negotiating the long-term disposition of the Oval with the Utah Athletic Foundation (UAF), which is to occur by contract on January 1, 2008. The financial impact of the disposition remains unknown at this time.

Contacting the District's Executive Director

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Oquirrh Recreation and Parks District, Attn: Executive Director, 5624 South 4800 West, Kearns, UT 84118.

OQUIRRH RECREATION AND PARKS DISTRICT

Statements of Net Assets December 31, 2006 and 2005

<u>ASSETS</u>	<u>2006</u>	<u>2005</u>
Current assets:		
Cash and cash equivalents	\$ 3,788,589	\$ 4,552,710
Receivable - other	9,515	6,355
Property taxes receivable	17,707	96,313
Prepaid expenses	22,153	19,712
Total current assets	<u>3,837,964</u>	<u>4,675,090</u>
Capital assets:		
Land	546,171	546,171
Property, plant and equipment	17,417,635	14,955,642
Construction in progress	---	948,848
Total	<u>17,963,806</u>	<u>16,450,661</u>
Less: Accumulated depreciation	(5,503,607)	(4,863,648)
Net capital assets	<u>12,460,199</u>	<u>11,587,013</u>
Other assets:		
Deferred charge - prepaid bond issuance cost	28,725	34,471
Total assets	<u>16,326,888</u>	<u>16,296,574</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Current liabilities:		
Accounts payable	79,722	342,137
Payroll and related liabilities	94,638	88,069
Other accrued liabilities	8,029	6,502
Deposits	225	225
Interest payable	8,796	11,169
Current portion of note payable	204,826	197,844
Current portion of bond payable	420,000	400,000
Unearned revenue	123,982	112,376
Total current liabilities	<u>940,218</u>	<u>1,158,322</u>
Long-term liabilities:		
Compensated absences	29,059	27,461
Note payable	109,581	312,849
Bond payable	1,865,000	2,285,000
Total long-term liabilities	<u>2,003,640</u>	<u>2,625,310</u>
Total liabilities	<u>2,943,858</u>	<u>3,783,632</u>
Net assets:		
Invested in capital assets (net of related debt)	9,860,792	8,391,320
Unrestricted	3,522,238	4,121,622
Total net assets	<u>\$13,383,030</u>	<u>\$12,512,942</u>

See the accompanying notes to the financial statements.

OQUIRRH RECREATION AND PARKS DISTRICT
Statements of Revenues, Expenses and Changes in Net Assets
For the Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Operating revenues:		
Sales	\$1,737,126	\$1,523,660
Cost of goods sold	(85,438)	(77,364)
Total operating revenues	<u>1,651,688</u>	<u>1,446,296</u>
Operating expenses:		
Advertising and public relations	23,565	16,564
Bank service charges	11,884	8,999
Chemicals	41,886	36,778
Computer supplies	9,056	9,529
Depreciation	640,280	598,966
Employee benefits	282,047	280,814
Equipment	19,212	15,572
Insurance	58,746	59,292
Memberships and subscriptions	7,062	5,470
Miscellaneous	18,524	22,103
Office supplies	8,862	8,855
Payroll taxes	125,168	117,607
Permits and licenses	5,854	5,061
Postage	12,617	13,883
Printing	21,985	23,060
Professional service fees	28,740	26,200
Repairs and maintenance	79,934	81,636
Salaries and wages	1,621,229	1,541,982
Special events	39,937	47,338
Supplies	46,163	42,624
Telephone	8,191	7,262
Travel and training	30,055	23,095
Utilities	<u>358,626</u>	<u>302,455</u>
Total operating expenses	<u>3,499,623</u>	<u>3,295,145</u>
Net operating income (loss)	(1,847,935)	(1,848,849)
Non-operating revenues (expense):		
Interest income	166,371	140,603
Property taxes and fee in lieu	2,690,954	2,534,309
Interest expense	(139,377)	(158,021)
Gain on sale of capital assets	75	---
Grant income	<u>---</u>	<u>100,000</u>
Total non-operating revenues (expenses)	<u>2,718,023</u>	<u>2,616,891</u>
Change in net assets	870,088	768,042
Net assets - beginning of year	<u>12,512,942</u>	<u>11,744,900</u>
Net assets - end of year	<u>\$13,383,030</u>	<u>\$12,512,942</u>

See the accompanying notes to the financial statements.

OQUIRRH RECREATION AND PARKS DISTRICT
Statements of Cash Flows
For the Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:		
Cash receipts from customers	\$1,745,572	\$1,536,349
Cash payments to vendors	(1,304,834)	(679,580)
Cash payments to employees for services and benefits	(1,895,109)	(1,806,275)
Net cash provided (used) by operating activities	(1,454,371)	(949,506)
Cash flows from non-capital and related financing activities:		
Other income - property tax and fee in lieu	2,769,560	2,501,086
Proceeds from federal grant	---	100,000
Net cash provided by non-capital and related financing activities	2,769,560	2,601,086
Cash flows from capital and related financing activities:		
Purchase of capital assets	(1,513,465)	(1,281,908)
Proceeds from sale of capital assets	75	---
Interest paid	(136,005)	(152,678)
Reduction of bonds and notes payable	(596,286)	(576,263)
Net cash provided (used) by capital and related financing activities	(2,245,681)	(2,010,849)
Cash flows from investing activities:		
Interest income	166,371	140,603
Net increase (decrease) in cash and cash equivalents	(764,121)	(218,666)
Cash and cash equivalents - beginning of year	4,552,710	4,771,376
Cash and cash equivalents - end of year	<u>\$3,788,589</u>	<u>\$4,552,710</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	(\$1,847,935)	(\$1,848,849)
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	640,280	598,966
Increase in accounts receivable	(3,160)	(249)
(Increase) decrease in prepaid expenses	(2,441)	2,816
Increase (decrease) in accounts payable	(262,415)	261,849
Increase in accrued liabilities	9,694	23,023
Increase in unearned revenue	11,606	12,938
Net adjustments	393,564	899,343
Net cash provided (used) by operating activities	<u>(\$1,454,371)</u>	<u>(\$ 949,506)</u>

See the accompanying notes to the financial statements.

OQUIRRH RECREATION AND PARKS DISTRICT
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Oquirrh Recreation and Parks District (hereafter referred to as the District) is a political subdivision of the State of Utah, created by ordinance of the Salt Lake County commission in February 1962. The District provides recreational programs, facilities and services to residents of the Kearns area of Salt Lake County, Utah. The District is governed by an elected board of trustees. Administrative, financial and budgetary responsibilities are vested in the general manager who is a full-time employee of the District. All of the services provided by the District and the activities and funds that are financially accountable to the District as defined by GASB Statement 14 are included in the financial statements.

Financial Reporting Model

The District implemented a new financial reporting model in 2004, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.

Measurement Focus and Basis of Accounting

The District is an enterprise fund which is reported using the economic resources measurement focus and the accrual basis of accounting. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Revenues are recognized when they are earned, expenses are recognized when a liability is incurred, regardless of the timing of related cash flows.

The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The District applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

OQUIRRH RECREATION AND PARKS DISTRICT
Notes to the Financial Statements (Continued)
For the Years Ended December 31, 2006 and 2005

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)

Sources of Revenue

The District receives property tax revenue from taxes and fees levied on property located within the taxing district and the motor vehicle fees collected and disbursed by Salt Lake County. Additional revenues are provided through rental charges to Granite School District and Salt Lake County and usage fees charged to the general public.

Use of Estimates

Presenting financial statements in conformity with generally accepted accounting principles requires management to make certain estimates concerning assets, liabilities, revenues and expenses. Actual results may vary from these estimates.

Property Equipment and Depreciation

Purchased property and equipment are recorded at cost and donated items are recorded at their estimated fair value. All assets are depreciated using the straight-line basis over the following estimated useful lives:

Swimming pool and building	10 - 40 years
Tennis courts	15 - 20 years
General equipment	5 - 10 years
Office equipment	3 - 8 years
Site improvements	10 years

Major outlays for capital assets and improvements are capitalized as projects are constructed. When material, interest incurred during the construction phase of fixed assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Income Taxes

The District is exempt from all federal and state taxation in its capacity as a political subdivision created by Utah State law.

OQUIRRH RECREATION AND PARKS DISTRICT
Notes to the Financial Statements (Continued)
For the Years Ended December 31, 2006 and 2005

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)

Property Taxes

The property taxes of the District are levied, collected and distributed by Salt Lake County as required by Utah State law. Utah statutes establish the process by which taxes are levied and collected. The County Assessor is required to assess property as of January 1st and complete the tax rolls by May 15th. By July 21st the County Auditor is to mail notices of assessed value and tax changes to property owners. A taxpayer may then petition the County Board of Equalization between August 1st and August 15th for a revision of the assessed value. Approved changes in assessed value are made by the County Auditor by November 1st, who also delivers the completed assessment rolls to the County Treasurer on that same date. Tax notices have a due date of November 30th.

2. DEPOSITS AND INVESTMENTS

Deposits and investments for the District are governed by the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the District's exposure to various risks related to its cash management activities.

Custodial Credit Risk

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be recovered. The District's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the District to be in a qualified depository, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Council. As of December 31, 2006, \$278,405 of the District's bank balance of \$278,405 were uninsured and uncollateralized.

Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The District's policy for limiting the credit risk of investments is to comply with the Money Management Act.

The District is authorized to invest in the Utah Public Treasurer's Investment fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participant's average daily balances.

OQUIRRH RECREATION AND PARKS DISTRICT
Notes to the Financial Statements (Continued)
For the Years Ended December 31, 2006 and 2005

2. DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk (Continued)

For the years ended December 31, 2006 and 2005, the District had investments of \$3,514,589 and \$4,184,875 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair value by investing mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

3. PROPERTY AND EQUIPMENT

Changes in property and equipment consist of the following for the year ending December 31, 2006:

	<u>Balance at</u> <u>12/31/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>12/31/06</u>
Swimming pool and additions	\$ 1,391,335	\$ ---	\$ ---	\$1,391,335
Tennis clubhouse	421,470	---	---	421,470
Recreational equipment	377,109	13,317	320	390,106
Maintenance equipment	96,244	6,148	---	102,392
Office equipment	192,641	16,255	---	208,896
Site improvements	761,897	2,425,093	---	3,186,990
Cost of utility service	9,713	---	---	9,713
Building addition 1998	10,872,105	---	---	10,872,105
Park	833,128	1,500	---	834,628
Land	546,171	---	---	546,171
Construction in progress	<u>948,848</u>	<u>---</u>	<u>948,848</u>	<u>---</u>
Total	16,450,661	<u>\$2,462,313</u>	<u>\$949,168</u>	17,963,806
Less: accumulated depreciation	(4,863,648)			(5,503,607)
Net property and equipment	<u>\$11,587,013</u>			<u>\$12,460,199</u>

OQUIRRH RECREATION AND PARKS DISTRICT
Notes to the Financial Statements (Continued)
For the Years Ended December 31, 2006 and 2005

3. PROPERTY AND EQUIPMENT (CONTINUED)

Changes in property and equipment consist of the following for the year ending December 31, 2005:

	<u>Balance at</u> <u>12/31/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>12/31/05</u>
Swimming pool and additions	\$ 1,391,335	\$ ---	\$ ---	\$1,391,335
Tennis clubhouse	421,470	---	---	421,470
Recreational equipment	288,590	88,519	---	377,109
Maintenance equipment	91,145	5,099	---	96,244
Office equipment	192,641	---	---	192,641
Site improvements	721,968	39,929	---	761,897
Cost of utility service	9,713	---	---	9,713
Building addition 1998	10,872,105	---	---	10,872,105
Park	570,800	262,328	---	833,128
Land	546,171	---	---	546,171
Construction in progress	<u>62,805</u>	<u>896,146</u>	<u>10,103</u>	<u>948,848</u>
Total	15,168,743	<u>\$1,292,021</u>	<u>\$10,103</u>	16,450,661
Less: accumulated depreciation	(4,264,682)			(4,863,648)
Net property and equipment	<u>\$10,904,061</u>			<u>\$11,587,013</u>

4. LONG-TERM DEBT

In April 2001, the District issued and sold General Obligation Refunding Bonds in the amount of \$3,670,000. The proceeds were used for achieving a debt service savings.

GENERAL OBLIGATION RECREATION REFUNDING BONDS APRIL 1, 2001

<u>Fiscal</u> <u>Year</u> <u>Ended</u>	<u>Interest</u> <u>Rate</u>	<u>Bond</u> <u>Principal</u>	<u>Interest</u>	<u>Total Debt</u> <u>Requirement</u> <u>For Year</u>
12/31/07	4.05%	\$ 420,000	\$ 96,348	\$ 516,348
12/31/08	4.15%	440,000	79,338	519,338
12/31/09	4.20%	455,000	61,078	516,078
12/31/10	4.25%	475,000	41,968	516,968
12/31/11	4.40%	<u>495,000</u>	<u>21,780</u>	<u>516,780</u>
		<u>\$2,285,000</u>	<u>\$300,512</u>	<u>\$2,585,512</u>

OQUIRRH RECREATION AND PARKS DISTRICT
Notes to the Financial Statements (Continued)
For the Years Ended December 31, 2006 and 2005

4. LONG-TERM DEBT (CONTINUED)

On April 29, 1998 the District obtained a long-term note payable, which was secured by the recreation facility. The interest rate and payments are subject to change as the prime rate changes. The rate at December 31, 2006 and 2005 was 5.775% and 4.9%.

ZIONS BANK LONG-TERM NOTES PAYABLE

<u>Fiscal Year Ended</u>	<u>Interest Rate</u>	<u>Note Principal</u>	<u>Interest</u>	<u>Total Debt Requirement For Year</u>
12/31/07	5.775%	\$204,826	\$13,744	\$218,570
12/31/08	5.775%	<u>109,581</u>	<u>2,432</u>	<u>112,013</u>
		<u>\$314,407</u>	<u>\$16,176</u>	<u>\$330,583</u>

Subsequent 5-Year Debt Disclosure

The combined aggregate amounts of long-term debt principal and interest for the next five years and to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
12/31/07	\$ 624,826	\$110,092	\$ 734,918
12/31/08	549,581	81,770	631,351
12/31/09	455,000	61,078	516,078
12/31/10	475,000	41,968	516,968
12/31/11	<u>495,000</u>	<u>21,780</u>	<u>516,780</u>
	<u>\$2,599,407</u>	<u>\$316,688</u>	<u>\$2,916,095</u>

4. LONG-TERM DEBT (CONTINUED)

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
2001 refunding bonds	\$2,685,000	\$ ---	\$400,000	\$2,285,000	\$420,000
Bank note payable	510,693	---	196,286	314,407	204,826
Compensated absences	<u>65,942</u>	<u>42,704</u>	<u>41,315</u>	<u>67,331</u>	<u>38,272</u>
Total	<u>\$3,261,635</u>	<u>\$42,704</u>	<u>\$637,601</u>	<u>\$2,666,738</u>	<u>\$663,098</u>

OQUIRRH RECREATION AND PARKS DISTRICT
Notes to the Financial Statements (Continued)
For the Years Ended December 31, 2006 and 2005

5. LEASE OF FACILITIES

Effective July 1, 1990, the District and Granite School District entered into an agreement to lease the facilities of the District. The agreement allows Kearns High School the use of the enclosed swimming pool facilities and tennis courts for several hours per day during the school year up to a maximum of 180 days.

The agreement also provides that the High School pay a base rental. The payments are due in nine equal monthly installments from September to May. Starting July 1, 1992 and each July 1st thereafter, the base rates are subject to increase in accordance with the Consumer Price Index. The payments were \$9,471 per month from January to May 2005 and were \$9,774 from September to May 2006. The payments increased to \$10,175 from September to December 2006.

6. EMPLOYEE RETIREMENT PLANS

Plan Description

The District contributes to the Local Government Noncontributory Retirement System, a 457, and a 401 K Retirement Plan administered by the Utah Retirement Systems (Systems). The Systems are cost-sharing multiple employer retirement systems providing defined benefits on years of service and highest average salaries.

Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended and which also established the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and Plans. Chapter 49 places the Systems, the Office, and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy

In the Local Government Noncontributory Retirement System, the District is required to contribute 11.09% (January - June 2006) and 11.59% (July - December 2006) of eligible employees annual covered salary. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

OQUIRRH RECREATION AND PARKS DISTRICT
Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2006 and 2005

6. EMPLOYEE RETIREMENT PLANS (CONTINUED)

The District's contributions to the Local Government Noncontributory Retirement System for the years ending December 31, 2006, December 31, 2005 and December 31, 2004 were \$68,453, \$62,269 and \$60,081 respectively. The contributions were equal to the required contributions for each period.

401K Plan

The District offers its employees additional retirement benefits through a 401K plan. The District contributes to this plan on behalf of selected employees, an amount approved by the Board. The benefits are not available to employees or their beneficiaries until termination, retirement, death, or unforeseeable emergency and are administered by the Utah State Retirement Systems. The employees have the option to contribute amounts in excess of the District's contributions, but not exceeding statutory limitations.

Employee-paid contributions for 2006, 2005 and 2004 were \$13,574, \$13,706 and \$9,684 respectively. Employer-paid contributions to the plan for 2006, 2005 and 2004 were \$27,996, \$26,074 and \$24,462 respectively.

457 Plan

The District also provides a 457 plan administered by the Utah State Retirement Systems (see above). Employee-paid contributions for 2006, 2005 and 2004 were \$31,396, \$37,369 and \$30,560 respectively. There were no employer-paid contributions to the plan for 2006, 2005 or 2004.

7. OVAL MANAGEMENT AGREEMENT

The District entered into a Speed Skating Oval Agreement with the Utah Sports Authority and its successors dated August 1, 1993 (the "Oval Agreement"). As required by the Oval Agreement, by special warranty deed dated June 16, 1994, the District conveyed a certain tract of land (the "Oval Site") to the Utah Sports Authority for the construction and operation of a speed skating oval. Under the terms of the deed, title to the Oval Site, together with title to all improvements, buildings, fixtures, appurtenances, equipment and personal property located thereon shall revert to the grantor (District) January 1, 2008.

The ownership interest in the Oval Site formerly held by the Utah Sports Authority is now held by the Utah Athletic Foundation (UAF) and the UAF currently owns and operates the speed skating oval constructed on the Oval Site and is responsible for all Oval Site operating and capital costs. Pursuant to the Oval Agreement, however, the District was obligated to contribute a maximum total of \$300,000 to cover a portion of the cost of operating and managing the Oval Site during the first three years of operation, which sum was expended as required. Until the Oval Site reverts to District ownership, the District has no further obligation to pay operation and capital expenses of the Oval Site.

OQUIRRH RECREATION AND PARKS DISTRICT
Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2006 and 2005

8. LEGACY FUND

The non-profit UAF was established by the State Legislature to own and operate state-built Olympic facilities following the 2004 Olympic Winter Games. The Salt Lake Organizing Committee (SLOC) agreed to purchase those facilities from the State for \$99,000,000. Of that amount, \$59,000,000 was dedicated to repay state and local governments for sales taxes diverted to the Utah Sports Authority to construct the facilities. The remaining \$40,000,000 was to be paid to the UAF to establish a Legacy Fund to operate the state-built facilities after the games. Due to the success of the games, it has been reported that an amount of approximately \$76,500,000 was received by the UAF from SLOC. It is the District's understanding that the Legacy Fund is being used by the UAF to cover current operating and capital costs at the Oval Site and that, pursuant to the Oval Agreement, money from the Legacy Fund will be used to assist in funding future operating costs and winter sports development at the Oval Site. The UAF also owns and operates the Winter Sports Park located at Bear Hollow in Summit County.

9. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District has joined with other public entities in a common risk management and insurance program. The District pays premiums to this risk pool, the Utah Local Governments Trust, for its general insurance coverage. The pool is self-sustaining through member premiums and reinsures through commercial companies for claims in excess of specified amounts for certain types of risks. The District is subject to a minimal deductible for claims of the risk pool. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Hansen, Bradshaw, Malmrose & Erickson

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
Oquirrh Recreation and Parks District

We have audited the financial statements of Oquirrh Recreation and Parks District as of and for the year ended December 31, 2006, and have issued our report thereon dated April 10, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Oquirrh Recreation and Parks District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Oquirrh Recreation and Parks District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the board of trustees, management and Utah State Auditor's office and is not intended to be and should not be used by anyone other than these specified parties.

Hansen, Bradshaw, Malmrose & Erickson, P.C.

April 10, 2007

Hansen, Bradshaw, Malmrose & Erickson

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INDEPENDENT AUDITOR'S REPORT ON LEGAL COMPLIANCE WITH APPLICABLE UTAH STATE LAWS AND REGULATIONS

Board of Trustees Oquirrh Recreation and Parks District

We have audited the financial statements of Oquirrh Recreation and Parks District for the year ended December 31, 2006, and have issued our report thereon dated April 10, 2007. Our audit included test work on the District's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt	Property Tax	Purchasing Requirements
Cash Management	Special Districts	Other General Issues
Budgetary Compliance		

The District did not receive any major or nonmajor State grants during the year ended December 31, 2006.

The management of Oquirrh Recreation and Parks District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, Oquirrh Recreation and Parks District complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2006.

This report is intended solely for the information of management and the Utah State Auditor's Office, and is not intended to be and should not be used by anyone other than these specified parties.

Hansen, Bradshaw, Malmrose & Erickson, P.C.

April 10, 2007